



**Blue Star Helium Limited
And Controlled Entities**

ABN: 49 623 130 987

HALF YEAR REPORT

For the Half Year Ended 30 June 2022

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DIRECTORS

Ross Warner	Executive Chairman
Trent Spry	Managing Director and Chief Executive Officer
Neil Rinaldi	Non-Executive Director

SECRETARY

Amanda Wilton-Heald

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STOCK EXCHANGE LISTING

Australian Securities Exchange
ASX Code: BNL

OTC Markets
OTCQB:BSNLF

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Blue Star Helium Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2022 ('H1 FY22').

DIRECTORS

The following persons were Directors of Blue Star Helium Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Name	Title
Ross Warner	Executive Chairman
Trent Spry	Managing Director and Chief Executive Officer
Neil Rinaldi	Non-Executive Director

COMPANY SECRETARY

Name	Title
Amanda Wilton-Heald	Company Secretary

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the half-year ended 30 June 2022 were helium exploration. The Company is headquartered in Australia and its strategy is to provide its shareholders with exposure to multiple high-value helium projects in North America.

REVIEW OF RESULTS

The loss after tax for the half year ended 30 June 2022 was \$2,707,681 (2021: loss of \$1,131,844).

The earnings of the Consolidated Entity for the past financial periods are summarised below:

	30 June 2022 (6 months) \$	31 December 2021 (12 months) \$	30 June 2021 (6 months) \$	31 December 2020 (12 months) \$
Revenue (including other income)	7,824	66,834	1,085	15,953
EBITDA	(2,892,026)	(1,394,233)	(964,851)	(1,688,667)
EBIT	(2,893,633)	(1,395,783)	(965,222)	(1,690,123)
Loss after income tax	(2,893,633)	(1,395,783)	(965,222)	(1,690,123)

The factors that are considered to affect total shareholders return are summarised below:

	30 June 2022 \$	31 December 2021 \$	30 June 2021 \$	31 December 2020 \$
Share price at financial period end	0.029	0.062	0.033	0.044

Operating Review

Helium discoveries at JXSN#1, #2 & #3 wells at Galactica/Pegasus

During the half year, the Company announced its focus on rapidly advancing further drill planning and permitting across its key prospects. This consisted of a mix of both exploratory water wells and helium wells (of which only the latter can be completed for production). On 27 April 2022, Blue Star commenced drilling of JXSN #1, JXSN #2, and JXSN #3, located on its Galactica/Pegasus prospects. The Company successfully recovered helium from each of these three exploratory wells. After consultation with technical advisors, the Company declared a discovery at each of the wells.

Helium concentrations of up to 3.14% were reported in larger than expected gas columns in the Lyons formation. Flow rates were consistent with data reported from the historic Model Dome field. The key results from the wells are summarised in Table 1 below.

Table 1: Key results from recent Galactica/Pegasus exploratory water wells

Key parameter	JXSN#1	JXSN#2	JXSN#3
Helium concentration (%)	1.98	3.14	2.14
Gas column in Lyons formation (ft)	217.5	101+	230
Net pay in Lyons formation (ft)	143.5	101	153.5
Stabilized initial flow rate (mcf/d)	412	202	412

Enterprise 16#1 well drilling and workover

Following approvals received from the Colorado Oil & Gas Conservation Commission (COGCC) last year, Blue Star's maiden helium exploration well, Enterprise 16-1, was spudded on 16 February 2022. The well was drilled to a total depth of 1,250 feet and identified a potential helium zone in the targeted Lyons formation.

Based on wireline logs, the top of the Lyons formation was penetrated at 1,045 feet with an interpreted gas water contact (GWC) intersected at 1,058 feet (equating to an approximate 13 feet gross and net gas column in the well bore). Previously, the Hill#2 well saw 29 feet of gas on logs.

Some helium gas was seen while drilling, however due to subsequent water invasion of the top part of the Lyons formation where gas is interpreted from logs, no test was initially able to be conducted to obtain a gas sample for compositional analysis.

In July 2022, the Enterprise 16-1 well was successfully cased and cemented across the Lyons and perforated between 1,051 feet and 1,054 feet in the top of the gas zone. Swabbing operations were conducted and completed.

The well exhibited pressure build-up and flow on several occasions during swabbing operations. Gas samples were taken and sent to the laboratory for compositional analysis. At the conclusion of operations, the water level in the well stabilised above the perforations.

The final completion configuration of the well will be determined after further drilling to the south-east, up-dip from Enterprise 16-1 and up-dip to the south of Hill#2, where re-mapping shows the structural high to lie. Follow-up wells are set to target this structural high where significantly larger gas columns are expected – initially via an exploratory water well and then with further helium exploration wells.

Sammons 315310C well (Serenity prospect, 50% BNL)

On 25 February 2022, Blue Star advised that it had received COGCC approval for the Sammons Ranch Oil & Gas Development Plan (OGDP) submitted by Vecta Oil & Gas Ltd (Vecta). The OGDP consisted of four wells proposed to be drilled in the Area of Mutual Interest (AMI) agreed between Blue Star (50%, non-operated interest), Prospero Oil and Gas LLC (Prospero) (25%, non-operated interest) and Vecta (25% operating interest).

The AMI includes Blue Star's Serenity prospect located immediately south-east of the Galactica and Pegasus prospects where the Company announced three significant helium discoveries (JXSN#1, #2 & #3).

The Sammons 315310C helium exploration well is the first to be drilled on the Sammons Ranch OGDP. The three follow-up appraisal and development locations at Serenity have been approved with final permits to drill (Form 2) to be submitted upon success at Sammons 315310C well.

Sammons 315310C spudded in early August. The well was drilled to approximately 1,166 feet and intersected the Lyons formation at approximately 1,155 feet. Upon halting drilling, it was observed that the well was blowing gas.

Flow testing was commenced and over a 48 hour period the well was periodically flowed and shut in with gas flowing at rates of between 380 mcf/d and 465 mcf/d through a 1.25 inch orifice. Flowing pressure increased in successive tests over the period. These flow rates are consistent with those exhibited from the JXSN#1, #2 & #3 exploratory water wells at Galactica/Pegasus and historical reported data from the nearby Model Dome field.

Subsequent drilling saw the upper Lyons sand fully penetrated between 1,155 feet and 1,238 feet, representing an 83 ft gas column of high-quality reservoir. The upper Lyons was completely gas filled with no water being encountered during drilling or testing. Additional flow testing was conducted at various stages throughout the upper Lyons drilling with gas rates (as high as 500 mcf/d through a 1.25 inch orifice) and flowing pressure increasing from the initial tests.

Casing was set at 1,270 feet in the shale that separates the upper and lower Lyons sands. This allows the upper Lyons to be preserved for future completion while allowing the lower Lyons to be tested in isolation for more accurate pressure, flow and compositional analysis.

The immediate forward plan at the date of this report was to drill 20 feet into the lower Lyons sand for initial flow testing of the well for pressure and rate analysis, and to collect gas samples to determine composition.

Well permitting activity

Following the helium discoveries at the JXSN #1, JXSN#2, and JXSN #3 exploratory water wells, Blue Star submitted applications for 7 new helium exploration well locations at the Galactica/Pegasus prospects. The initial four helium well locations for the State 9, State 16, State 35 and State 36 wells are set for an approval hearing during September 2022.

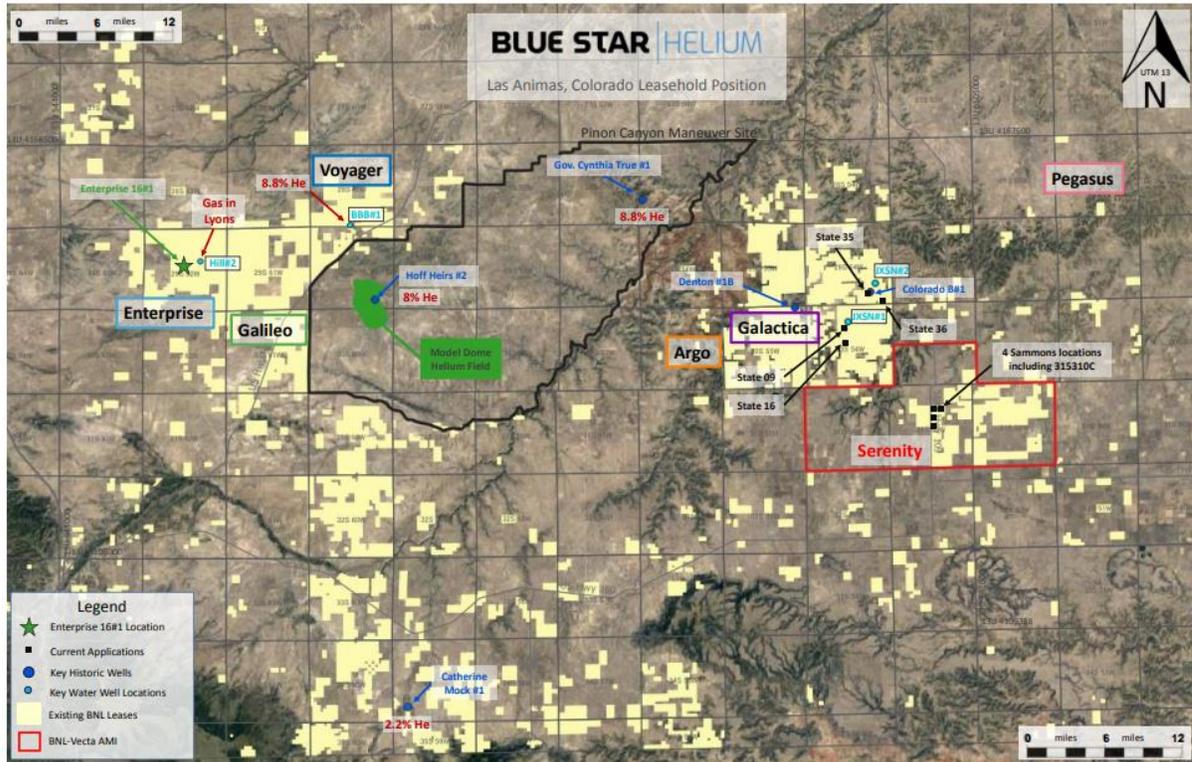


Figure 1: Blue Star’s Las Animas Country lease holdings and key well locations

The Company is also focused on expanding its operations at the Voyager prospect following the success of the BBB#1 exploratory water well during the previous half. Two further helium appraisal and development well locations (Form 2A) were submitted to the COGCC with an additional three well location applications to follow. The five Voyager wells represent the initial planned production wells of the field development plan.

As at 31 August 2022, Blue Star has an interest in 18 helium wells that are permitted or under permitting. In addition, preliminary work and permit preparation is underway for an additional 38 potential drill locations across the portfolio as part of the Company’s rolling permitting strategy. Table 2 below depicts the respective status of these permits and their locations.

Table 2: Current permitting schedule for Blue Star's Las Animas acreage

Well Permitting Schedule								
Prospect	Location Selection ¹	Survey ²	Permit Preparation	COGCC Review	COGCC Hearing	Form 2	Issued	Total
Enterprise	1	2	1				1	5
Galactica	4	3	5	3	2			17
Galileo			3					3
Pegasus			6	4	2			12
Serenity						3	1	4
Voyager	10		3	2				15
Total	15	5	18	9	4	3	2	56

Notes:

1. Preliminary feasibility survey studies have been undertaken on each of these locations.
2. Detailed survey plat packages being prepared for inclusion in initial applications to COGCC.

In addition to these helium well permitting activities, Blue Star is also expanding its exploratory water well drilling activities across multiple prospects, commencing at Galactica/Pegasus and Voyager.

Maiden Voyager resource

During the half year, Blue Star engaged independent geological and engineering consultant, Sproule, to prepare the first independent resource assessment for the Voyager prospect. Blue Star's current Las Animas P50 net unrisked prospective helium resource of 13.4 Bcf does not include an estimate for the Voyager prospect.

The Voyager prospect is being fast tracked for development after the breakthrough success of the BBB#1 exploratory water well which returned a 134 ft gas column in the Lyons formation with a calculated air-free helium concentration of 8.8%. The maiden Voyager resource assessment is expected to be completed during the September quarter.

Updated Galactica/Pegasus resource

Sproule was also retained during the half year to update the Galactica/Pegasus resource estimate following the discoveries declared at JXSN#1, JXSN#2 and JXSN#3. This updated resource is also scheduled to be completed during the September quarter and expected to result in the declaration of at least contingent resources for Galactica/Pegasus.

Las Animas field development

During the quarter, Blue Star appointed consulting engineers, SIGIT, to prepare a plan of development for its Las Animas helium acreage. The plan of development is set to include:

- ① Plant asset optimisation including an assessment of power options;
- ② Gathering system design; and
- ③ Front-End Engineering and Design (FEED) for the processing plant including an evaluation of technology providers and other long lead suppliers, scheduling and total installed cost for the facilities.

The scope of work includes FEED for an initial processing facility at the Voyager prospect (including consideration of a joint development with the nearby Enterprise prospect) and a second processing facility at the Galactica/Pegasus/Serenity prospects (eastern acreage).

Completion of the plan of development is expected during the September quarter.

Corporate

Appointment of proven U.S. helium executive, Peter Kondrat, as Blue Star COO

On 30 June 2022, Blue Star appointed Mr Peter Kondrat as Chief Operating Officer (COO) of its US helium business.

Peter is a seasoned helium executive and industry professional with over 25 years' experience in the development of oil, natural gas and helium from conventional and unconventional reservoirs. This includes proven expertise in the identification, economic analysis, and exploitation of new and additional helium from drilling, workover, recompletion, prospect development and deeper play testing.

Most recently, Peter was President and COO of US helium exploration and production business, Tacitus LLC (Tacitus). Under Peter's direction, Tacitus built a significant helium business in the Tocito Dome Field, New Mexico. This included leading Tacitus from operating at a loss to substantial positive cash flow, driven by the company's success in originating new helium discovery wells with high concentration and flow rates. Tacitus was ultimately sold to the Navajo Transitional Energy Company in October 2021 for an undisclosed consideration.

Peter will lead Blue Star's on-the-ground efforts in the US from his base in Colorado. He will be responsible for deployment of all aspects of the Company's exploration, development and production activities in Las Animas, Colorado. The timing of Peter's appointment corresponds with Blue Star's recent helium discovery successes at Voyager and Galactica/Pegasus, and its planned transition into development drilling and production operations while continuing to grow its resource base.

Listing on OTCQB Market

On 14 February 2022, the Company announced that its ordinary shares had received approval for trading on the OTCQB Venture Market (often referred to as a "QB" quotation), a U.S. trading platform operated by OTC Markets Group in New York, U.S. It is structured to provide live-market trading during North American business hours in early-stage and developing companies that may hold primary listings in non-US markets. A listing on the OTCQB market provides increased accessibility for North American domiciled investors to the Company's shares, as well as delivering potential for enhanced overall liquidity in the trading of Blue Star.

Compliance requirements for OTCQB quotation require issuers to satisfy annual company verification and management certification processes, financial reporting and transparency requirements, and ongoing compliance in relation to the company's capital structure and market capitalisation. All compliance requirements are expected to be practically satisfied by Blue Star through existing satisfaction of ASX primary listing obligations.

Blue Star did not issue any new securities as part of the OTCQB listing process.

COVID-19 Impacts

To date the restrictions arising from the global COVID-19 pandemic have not materially affected the Company's operations with staff and consultants in Australia and the USA adapting to the, at times, more isolated working conditions. The Company notes that various staff of the Colorado Oil and Gas Conservation Commission (COGCC) have been working from home and this may have impacted the timing of interactions with COGCC.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

Nil shares issued as a result of the exercise of the options were issued as at the date of this report.

EVENTS SUBSEQUENT TO REPORTING DATE

There are no matters or circumstances that have arisen since the end of the half year which will significantly affect, or may significantly affect, the state of affairs or operations of the Consolidated Entity in future financial years other than the following:

- 71,000,000 Director performance rights and 10,000,000 employee performance rights were granted on 7 July 2022 under the Performance Rights Plan, with expiration dates varying from 7 January 2024 to 7 January 2025. The Director performance rights were approved by shareholders at the 31 May 2022 annual general meeting and the terms and conditions were set out in the notice of annual general meeting dated 29 April 2022.
- Scott Fenoglio was appointed as CFO effective 6 September 2022. It is the intention of the Company to grant 10,000,000 employee performance rights under the Performance Rights Plan on the same terms and conditions as the existing employee performance rights.

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporation Act 2001.



Ross Warner
Executive Chairman

12 September 2022



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12 September 2022

Board of Directors
Blue Star Helium Limited
Level 8, London House
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Dear Sirs

RE: BLUE STAR HELIUM LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Blue Star Helium Limited.

As Audit Director for the review of the financial statements of Blue Star Helium Limited for the half-year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Martin Michalik
Director



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2022**

	Note	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
Revenue	3	6,133	815
Cost of goods sold	4	-	(47,840)
Gross loss		6,133	(47,025)
Other income	3	1,691	270
Other expenses		(332,439)	(316,332)
Impairment of exploration and evaluation assets	8	-	-
Rehabilitation costs		(45,701)	(270,431)
Employment expenses		(265,660)	(220,211)
Foreign exchange		393,680	10,407
Share based payment expense	12	(2,486,679)	-
Business development expenses		(102,606)	(36,545)
Legal expenses		(62,052)	(85,355)
Loss before tax		(2,893,633)	(965,222)
Income tax expense		-	-
Net loss for the half year from operations		(2,893,633)	(965,222)
Other comprehensive income			
Exchange differences on translation of foreign entities	12	185,952	(166,622)
Total comprehensive loss for the half year		(2,707,681)	(1,131,844)
Basic and diluted loss per share (cents)		(0.018)c	(0.08)c

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	Consolidated Entity 30 June 2022 \$	Consolidated Entity 31 December 2021 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	10,761,993	15,632,345
Trade and other receivables	6	21,027	124,599
Other assets	7	89,293	48,164
Total Current Assets		10,872,313	15,805,108
Non-Current Assets			
Other assets	7	176,856	151,351
Plant and equipment		5,949	3,125
Exploration and evaluation assets	8	11,362,594	6,768,833
Total Non-Current Assets		11,545,399	6,923,309
Total Assets		22,417,712	22,728,417
LIABILITIES			
Current Liabilities			
Trade and other payables	9	659,372	602,860
Provisions	10	70,285	213,966
Total Current Liabilities		729,657	816,826
Non-Current Liabilities			
Provisions	10	3,781	1,884
Total Non-Current Liabilities		3,781	1,884
Total Liabilities		733,438	818,710
Net Assets		21,684,274	21,909,707
EQUITY			
Contributed equity	11	26,435,332	26,439,763
Reserves	12	3,970,749	1,298,118
Accumulated losses		(8,721,807)	(5,828,174)
Total Equity		21,684,274	21,909,707

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2022**

Consolidated Entity	Contributed Equity	Foreign Currency Translation Reserve	Share Option Reserve	Share Based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2022	26,439,763	(79,443)	1,377,561	-	(5,828,174)	21,909,707
Loss for the half year	-	-	-	-	(2,893,633)	(2,883,678)
Other comprehensive income						
Foreign exchange on translation of operations	-	185,952	-	-	-	185,952
Total comprehensive loss for the half year	-	185,952	-	-	(2,893,633)	(2,707,681)
Transactions with owners in their capacity as owners:						
Equity issues	-	-	-	-	-	-
Equity issue expenses	(4,431)	-	-	-	-	(4,431)
Share based payments	-	-	-	2,486,679	-	2,486,679
Balance at 30 June 2022	26,435,332	106,509	1,377,561	2,486,679	(8,721,807)	21,684,274
Consolidated Entity	Contributed Equity	Foreign Currency Translation Reserve	Share Option Reserve	Share Based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 January 2021	12,569,133	86,121	191,125	-	(4,432,391)	8,413,988
Loss for the half year	-	-	-	-	(965,222)	(965,222)
Other comprehensive income						
Foreign exchange on translation of operations	-	(166,622)	-	-	-	(166,622)
Total comprehensive loss for the half year	-	(166,622)	-	-	(965,222)	(1,131,844)
Transactions with owners in their capacity as owners:						
Equity issues	264,000	-	-	-	-	264,000
Equity issue expenses	(3,105)	-	-	-	-	(3,105)
Share based payments	-	-	-	-	-	-
Balance at 30 June 2021	12,830,028	(80,501)	191,125	-	(5,397,613)	7,543,039

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2022**

	Note	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
Cash flows from operating activities			
Receipts from customers		6,133	815
Payments to suppliers and employees		(716,857)	(906,416)
Interest received		1,691	270
Net cash (used in) operating activities		<u>(709,033)</u>	<u>(905,331)</u>
Cash flows from investing activities			
Payment for plant and equipment		(4,431)	(4,675)
Exploration, evaluation and development expenditure (including license acquisition costs)		(4,051,662)	(956,723)
Net cash (used in) investing activities		<u>(4,056,093)</u>	<u>(961,398)</u>
Cash flows from financing activities			
Proceeds from option conversions		-	264,000
Payment for costs of equity issues		(4,431)	(3,105)
Net cash (used in) / from financing activities		<u>(4,431)</u>	<u>260,895</u>
Net (decrease) / increase in cash held		<u>(4,769,557)</u>	<u>(1,605,834)</u>
Cash and cash equivalents at beginning of the period		15,632,345	4,909,336
Foreign exchange effect on cash and cash equivalents		(100,795)	(1,410)
Cash and cash equivalents at period end	5	<u>10,761,993</u>	<u>3,302,092</u>

The accompanying notes form part of these financial statements.

1. Corporate information

This half year report covers Blue Star Helium Limited and the entities it controlled at the end of, or during, the half-year ended 30 June 2022 (the “Consolidated Entity”). The presentation currency of the Consolidated Entity is Australian Dollars (“\$”). A description of the Consolidated Entity’s operations is included in the review and results of operations in the Directors’ Report. The Directors’ Report is not part of the financial statements. The Consolidated Entity is a for-profit entity and limited by shares incorporated in Australia whose shares are traded under the ASX code “BNL”. The financial statements were authorised for issue on 12 September 2022 by the Directors. The Directors have the power to amend and reissue the financial statements. The principal accounting policies adopted in the preparation of the financial statements are set out below.

2. Accounting policies

a. Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 30 June 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

b. Going concern

For the half year ended 30 June 2022 the consolidated entity incurred a total comprehensive loss of \$2,707,681 (30 June 2021: total comprehensive loss of \$1,131,844) and had working capital of \$10,142,656 (31 December 2021: \$14,988,282). The Directors considered the subsequent events, reviewed the cash flow forecasts and working capital requirements of the Consolidated Entity in view of the Consolidated Entity’s existing cash resources of \$10,761,993 (31 December 2021: \$15,632,345). On this basis, and subject to the impact of COVID-19 pandemic on the economy and the Consolidated Entity, the Directors consider there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation is considered to be appropriate for the 30 June 2022 half year financial report.

In the event that the Consolidated Entity is not able to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and perhaps at amounts different to those stated in its financial report.

2. *Accounting policies (continued)*

c. Exploration and evaluation assets

Expenditure on exploration and evaluation is accounted for in accordance with the "area of interest" method. Exploration licence acquisition costs are capitalised and subject to half-yearly impairment testing. All exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs are expensed as incurred except where:

- ① The expenditure relates to an exploration discovery where, at balance date, an assessment of the existence or otherwise of economically recoverable reserves is not yet complete and significant operations in, or in relation to, the area of interest are continuing; or
- ① An assessment has been made and it is expected that the expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons or helium. Areas of interest may be recognised at either the field or the well level, depending on the nature of the project. Subsequent to the recognition of an area of interest, all further costs relating to the area of interest are capitalised. Each potential or recognised area of interest is reviewed half-yearly to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs. Upon approval for the commercial development of an area of interest, accumulated expenditure for the area of interest is transferred to oil, gas and helium properties. The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Impairment

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If any such indication of impairment exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes a formal estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, an assessment is made as to whether the Company intends to make substantive expenditures on the asset and the carrying amount of the assets is assessed against the market capitalisation of the Company. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

2. Accounting policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit).

d. Accounting Standards that are mandatorily effective for the current reporting year

The Consolidated Entity has considered the implications of new and amended Accounting Standards which have become applicable for the current financial reporting period.

Initial adoption of AASB 2018-7: Amendments to Australian Accounting Standards – Definition of Material

This amendment principally amends *AASB 101* and *AASB 108* by refining the definition of material by improving the wording and aligning the definition across the standards issued by the AASB.

Initial adoption of AASB 2019-1: Amendments to Australian Accounting Standards – References to the Conceptual Framework

This amendment amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of Conceptual Framework for Financial Reporting by the AASB.

The standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Consolidated Entity has not applied the new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective. Based on a preliminary review of the standards and amendments, the Directors do not anticipate a material change to the Consolidated Entity's accounting policies, however further analysis will be performed when the relevant standards are effective.

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 30 June 2021 \$
3. Revenue and other income		
Sale of product	6,133	815
Interest income	1,691	270
	<u>7,824</u>	<u>1,085</u>
4. Cost of goods sold		
Cost of sales: other production costs	-	(47,840)
	<u>-</u>	<u>(47,840)</u>
	Consolidated Entity 30 June 2022 \$	Consolidated Entity 31 December 2021 \$
5. Cash and cash equivalents		
Cash at bank and on hand	10,761,993	15,632,345
	<u>10,761,993</u>	<u>15,632,345</u>
6. Trade and other receivables		
Other receivables	-	(62)
Bonds	-	34,398
GST refunds	21,027	90,263
	<u>21,027</u>	<u>124,599</u>

There are no receivables that are past due.

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 31 December 2021 \$
7. Other assets		
<u>Current</u>		
Prepaid expenses	89,293	48,164
	89,293	48,164
<u>Non-Current</u>		
Bonds	176,856	151,351
	176,856	151,351
8. Exploration and evaluation assets		
Capitalised expenditure		
- At cost	11,336,236	6,893,891
- Accumulated amortisation and impairment	-	-
- Exchange difference translation	26,358	(125,058)
	11,362,594	6,768,833
Balance at beginning of period	6,768,833	3,982,025
Exploration and evaluation expenditure incurred during the year	4,567,403	2,911,866
Impairment	-	-
Exchange difference translation	26,358	(125,058)
Balance at end of period	11,362,594	6,768,833
9. Trade and other payables		
Trade creditors and other accruals	659,372	602,860
	659,372	602,860

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 31 December 2021 \$
10. Provisions		
<u>Current</u>		
Employee benefits	70,285	29,895
Restoration	-	184,071
	70,285	213,966
<u>Non-Current</u>		
Employee benefits	3,781	1,884
	3,781	1,884

	Consolidated Entity 30 June 2022		Consolidated Entity 31 December 2021	
	No.	\$	No.	\$
11. Contributed equity				
Balance at beginning of year	1,586,170,058	26,439,763	1,233,062,915	12,569,133
Share issue from option conversion: 10-May-21	-	-	22,000,000	264,000
Share issue from option conversion: 29-Jul-21	-	-	2,000,000	24,000
Share issue from option conversion: 29-Sep-21	-	-	3,500,000	42,000
Share issue from placement: 04-Nov-21	-	-	267,857,143	15,000,000
Share issue from option conversion: 15-Dec-21	-	-	2,500,000	30,000
Share issue from option conversion: 31-Dec-21	-	-	55,250,000	663,000
Share issue costs	-	(4,431)	-	(2,152,370)
Balance at end of year	1,586,170,058	26,435,332	1,586,170,058	26,439,763

	Consolidated Entity 30 June 2022 \$	Consolidated Entity 31 December 2021 \$
12. Reserves		
<u>Foreign currency translation reserve</u>		
Balance at beginning of period	(79,443)	86,121
Foreign exchange on translation of operations	185,952	(165,564)
Balance at end of period	<u>106,509</u>	<u>(79,443)</u>
<u>Options reserve</u>		
Balance at beginning of period	1,377,561	191,125
Options granted	-	1,186,436
Balance at end of period	<u>1,377,561</u>	<u>1,377,561</u>
<u>Share based payments reserve</u>		
Balance at beginning of period	-	-
Performance rights granted ¹	2,486,679	-
Balance at end of period	<u>2,486,679</u>	<u>-</u>
Total reserves	<u>3,970,749</u>	<u>1,298,118</u>

¹ During the period 71,000,000 performance rights were approved by shareholders at the 31 May 2021 annual general meeting to be granted to Directors (subsequently granted on 7 July 2022) under the Performance Rights Plan. 10,000,000 performance rights were granted to an employee on 7 July 2022. The 81,000,000 performance rights were valued at \$2,486,679 and the full cost has been accounted for at 30 June 2022 based on the following vesting conditions: Tranche 1 performance rights will vest and be convertible upon the Company publicly reporting two (2) independently certified helium discoveries; and the Company's achieving a 20-day VWAP of \$0.10 or more within 18 months after issue of the performance right. Tranche 2 performance rights will vest and be convertible upon the Company publicly reporting Independently certified helium reserves; and Independently certified helium reserves and resources including net recoverable helium meeting at least one of the following metrics: (i) P90 greater than 10 Bcf; or (ii) P50 greater than 20 Bcf; or (iii) P10 greater than 30 Bcf within 18 months after issue of the performance right. Tranche 3 performance rights will vest and be convertible upon the Company having drilled five (5) separate prospects within two (2) years after issue of the performance right. Tranche 4 performance rights will vest and be convertible upon the Company making a Final Investment Decision in relation to the development of a facility for the development of a helium project within 2 years after issue of the performance right. Tranche 5 performance rights will vest and be convertible upon the Company selling helium within 30 months after issue of the performance right.

12. Reserves (continued)

Inputs	Director Performance Rights	Employee Performance Rights
Number of performance rights	71,000,000	10,000,000
Exercise price	\$Nil	\$Nil
Expiry date	Varies between 7 January 2024 & 7 January 2025	Varies between 7 January 2024 & 7 January 2025
Grant date	7 July 2022	7 July 2022
Vesting date	Upon vesting conditions being met	Upon vesting conditions being met
Share price at grant date	\$0.03	\$0.03
Risk free interest rate	2.725%	2.725%
Volatility	85%	85%
Performance rights value (total)	\$2,200,222	\$286,457

Consolidated Entity 30 June 2022 No.	Consolidated Entity 31 December 2021 No.
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12. Reserves (continued)

Unlisted options

Balance at beginning of period	34,389,452	85,250,000
Options granted	-	34,389,452
Options converted	-	(85,250,000)
Options expired	-	-
Balance at end of period	34,389,452	34,389,452

Non-performance based options

Inputs	Broker Options	Broker Options
Number of options	17,194,726	17,194,726
Exercise price	\$0.084	\$0.112
Expiry date	04-Nov-23	04-Nov-24
Grant date	04-Nov-21	04-Nov-21
Vesting date	N/A	N/A
Share price at grant date	\$0.050	\$0.05
Risk free interest rate	0.56%	0.89%
Volatility	142%	164%
Option value	\$0.030	\$0.039

13. Operating segments

For management purposes, the Company is organised into one main operating segment, which involves helium (including oil and gas) exploration, development and production in the USA. All the Company's activities are interrelated, and discrete financial information is reported to the Chairman and the management team as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Consolidated Entity as a whole. The Consolidated Entity derives its revenue from the sale of oil produced in the USA. During the interim half-year reporting periods ended 30 June 2022 and 30 June 2021 external sales of oil were made to customers solely located in the USA.

	US	Corporate	Total
30 June 2022			
Segment revenue	6,133	1,691	7,824
Segment assets	11,625,587	10,792,125	22,417,712
Segment liabilities	(597,666)	(135,772)	(733,438)
31 December 2021			
Segment assets	7,042,601	15,685,816	22,728,417
Segment liabilities	(704,916)	(113,794)	(818,710)
30 June 2021			
Segment revenue	815	270	1,085

14. Events after the end of the reporting period

There are no matters or circumstances that have arisen since the end of the period which will significantly affect, or may significantly affect, the state of affairs or operations of the Consolidated Entity in future financial years other than the following:

- ① 71,000,000 Director performance rights and 10,000,000 employee performance rights were granted on 7 July 2022 under the Performance Rights Plan, with expiration dates varying from 7 January 2024 to 7 January 2025. The Director performance rights were approved by shareholders at the 31 May 2022 annual general meeting and the terms and conditions were set out in the notice of annual general meeting dated 29 April 2022.
- ① Scott Fenoglio was appointed as CFO effective 6 September 2022. It is the intention of the Company to grant 10,000,000 employee performance rights under the Performance Rights Plan on the same terms and conditions as the existing employee performance rights.

15. Commitments and contingencies

There were no material commitments relating to operating and exploration expenditure. The Consolidated Entity is planning to undertake a further drilling programme later this year but as at 30 June 2022 it is not contractually committed.

a. Contingent assets

There are no contingent assets as at 30 June 2022.

b. Contingent liabilities

There are no contingent liabilities as at 30 June 2022.

16. Interests in controlled entities

Company Name	Place of Incorporation	30 June 2022 % Ownership	31 December 2021 % Ownership
<u>Controlled by Blue Star Helium Limited:</u>			
Santa Energy Pty Ltd	Australia	100%	100%
BNL (USA Helium) Pty Ltd	Australia	100%	100%
<u>Controlled by Santa Energy Pty Ltd:</u>			
Antares Energy Company	USA	100%	100%
<u>Controlled by BNL (USA Helium) Pty Ltd:</u>			
BNL (Enterprise) Inc	USA	100%	100%
Las Animas Leasing Inc	USA	100%	100%

17. Related party transactions

There were no transactions with related parties during the half year ended 30 June 2022 other than the compensation to key management personnel.

In the Directors' opinion:

- ① the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- ① the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2022 and of its performance for the financial half year ended on that date; and
- ① there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Ross Warner
Executive Chairman

12 September 2022

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
BLUE STAR HELIUM LIMITED**

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Blue Star Helium Limited, which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Blue Star Helium Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of Blue Star Helium Limited's financial position as at 30 June 2022
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our review of the half year interim financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the consolidated on 12 September 2022.

Responsibility of the Directors for the Financial Report

The directors of Blue Star Helium Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 30 June 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
12 September 2022